

Message Text

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SUBJECT: LABOR AND MANAGEMENT AGREE ON LABOR COST REDUCTIONS

REF: ROME 1148

1. SUMMARY. LABOR AND MANAGEMENT HAVE REACHED AGREEMENT
ON MEASURES TO INCREASE PRODUCTIVITY AND REDUCE LABOR COSTS.
INITIALING OF THE AGREEMENT TOOK PLACE JANUARY 26 AFTER BEING
HELD UP TO CLARIFY THE GOVERNMENT'S ASSERTED INTENTION TO
EXPAND THE PARTIAL FREEZE OF WAGE ESCALATION PAYMENTS.

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THE GOVERNMENT HAS EVIDENTLY PROMISED NOT TO EXPAND THE LABOR
FREEZE. WHETHER OR NOT GOI WILL TAKE ADDITIONAL COST MEASURES
IS UNCERTAIN. END SUMMARY.

2. THE THREE LABOR CONFEDERATIONS (CCU) AND CONFINDUSTRIA,
FOLLOWING PROTRACTED DISCUSSIONS WHICH LASTED INTO THE
MORNING HOURS OF JANUARY 26, HAVE REACHED AGREEMENT ON

THE PRODUCTIVITY AND LABOR COST REDUCTION MEASURES WHICH WERE ON THEIR AGENDA. THE AGREEMENT WAS NOT SIGNED AT ONCE, HOWEVER, DUE TO LATE INFORMATION THAT THE GOVERNMENT INTENDED TO LOWER THE THRESHOLD FOR THE PARTIAL BLOCKAGE OF WAGE ESCALATION TO THOSE EARNING 4 MILLION LIRE ANNUALLY (ABOUT \$5,000); AT PRESENT, THE PARTIAL FREEZE BEGINS WITH THOSE EARNING AT LEAST 6 MILLION LIRE ANNUALLY.

3. THE UNIONS OBJECTED TO THIS MOVE, REGARDING IT BOTH AS A FURTHER INVASION OF THE COLLECTIVE BARGAINING SYSTEM AND AS THE IMPOSITION OF DISPROPORTIONATE SACRIFICES ON A LARGE NUMBER OF WORKERS. HOWEVER, FOLLOWING HASTY DISCUSSIONS WITH PRIME MINISTER ANDREOTTI, THE MATTER HAS BEEN CLARIFIED TO LABOR'S SATISFACTION (I.E., THE GOVERNMENT HAS APPARENTLY PROMISED NOT TO EXTEND THE PARTIAL FREEZE), AND THE AGREEMENT WAS SIGNED ON JANUARY 26.

4. THESE ARE THE PRINCIPAL AREAS OF THE CCU/CONFINDUSTRIA ACCORD:

A) WAGE ESCALATION--BOTH SEVERANCE PAY AND SENIORITY INCREASES ARE TO BE DISCONNECTED FROM THE WAGE ESCALATION SYSTEM;

B) MOBILITY--WORKERS MAY BE MOVED FROM ONE DEPARTMENT TO ANOTHER WITHIN A FACTORY, OR BETWEEN PLANTS WITHIN A COMPANY, OR BETWEEN PLANTS WITHIN THE SAME GEOGRAPHICAL REGION, FOLLOWING DISCUSSION WITH LOCAL UNIONS;

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C) OVERTIME--OVERTIME WORK WILL BE ALLOWED, BEYOND THE EXTENT PERMITTED BY CURRENT CONTRACTS--EVEN, UNDER CERTAIN CONDITIONS, WHEN PART OF THE WORK FORCE IS RELEGATED TO THE WAGE SUPPLEMENT FUND (I.E., WORKING SHORT HOURS);

D) VACATIONS - MAY BE SPREAD ACROSS THE CALENDAR YEAR;

E) ABSENTEEISM -- LABOR AND MANAGEMENT ARE JOINTLY TO DEVISE A SYSTEM TO CONTROL ABUSES;

F) ANOMALOUS WAGE ESCALATION SYSTEMS--INDIVIDUAL PROVISIONS IN CERTAIN SECTORS, WHICH ARE MORE GENEROUS THAN THE SYSTEM WHICH PREVAILS GENERALLY, ARE TO BE "HOMOGENIZED;"

G) COMPANY LEVEL WAGE INCREASES--ARE TO BE HELD "WITHIN REASONABLE LIMITS";

H) HOLIDAYS--THE SEVEN HOLIDAYS WHICH HAVE BEEN CONVERTED INTO WORKING DAYS ARE TO BE PAID AT OVERTIME RATES, RATHER THAN HOLIDAY PAY RATES (GENERALLY, DOUBLE TIME RATHER THAN DOUBLE-AND-A-HALF). THIS IS VALID ONLY FOR 1977.

5. WHILE A NUMBER OF THESE MEASURES ARE DIFFICULT TO QUANTIFY, THE CCU ASSERTS THAT IN THE AGGREGATE THEY WILL RESULT IN LABOR COST SAVINGS OF 15-18 PERCENT.

6. THE PROBLEM OF THE PREAMBLE TO THE ACCORD WAS FINESSED BY OMITTING ANY MENTION THAT THE AGREEMENT REPRESENTS THE MAXIMUM SACRIFICE THAT CAN BE EXPECTED OF THE WORKERS. ALSO OMITTED WAS ANY MENTION OF THE FISCALIZATION OF SOCIAL INSURANCE PAYMENTS. ON THE OTHER HAND, THE PREAMBLE STATES THAT CONDITIONS OF WORK "ARE AND OUGHT TO REMAIN A MATTER FOR THE EXCLUSIVE COMPETENCE OF THE SOCIAL PARTNERS AND THEIR DEFINITION OUGHT TO DERIVE FROM AGREEMENTS REACHED BETWEEN THEM". THIS LAST, OF COURSE, IS AN EFFORT TO GET THE GOVERNMENT TO KEEP HANDS OFF THE WAGE ESCALATION SYSTEM.

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7. COMMENT: SEVERAL DETAILS HAVE NOT BEEN FULLY RESOLVED: THE MECHANISM FOR CONTROLLING RAMPANT ABSENTEEISM IS YET TO BE WORKED OUT; THOSE WHOSE "ANOMALOUS" WAGE ESCALATION SYSTEMS ARE TO BE PARED DOWN ARE RESISTING; AND HOLDING DOWN PLANT LEVEL WAGE DEMANDS WILL REQUIRE THE FULL COOPERATION OF MAY INDEPENDENT-MINDED LOCAL UNIONS. MOST OF MEASURES CONTAINED IN LABOR/MANAGEMENT PACKAGE WOULD AFFECT PRODUCTIVITY RATHER THAN LABOR COSTS AS SUCH. OF THOSE WHICH WOULD AFFECT LABOR COSTS (E.G., UNLINKING SEVERANCE PAY AND SENIORITY INCREASES, ELIMINATING "ANOMALOUS" SCALA MOBILE ARRANGEMENTS IN CERTAIN SECTORS AND LIMITING COMPANY LEVEL WAGE INCREASES), THE LIRA SAVINGS INVOLVED APPEAR TO BE EITHER NOT VERY LARGE OR ELSE HARD TO QUANTIFY. ALSO REASON FOR ABSENCE OF SPECIFIC REFERENCE TO FISCALIZATION" (FOR WHICH THERE HAD APPEARED TO BE AGREEMENT IN PRINCIPLE) IS NOT CLEAR. FINALLY, EXACT EXTENT OF ALLEGED ANDREOTTI ASSURANCES TO LABOR UNIONS ON SCALA MOBILE IS STILL VAGUE. IT WAS LEARNED BY EMBASSY EARLY JANUARY 27 THAT MEETING AMONG PARTY HEADS IN PARLIAMENT TO REVIEW ECONOMIC DEVELOPMENTS AND JANUARY 28 MEETING OF COUNCIL OF MINISTER HAVE BOTH BEEN POSTPONED IN ORDER TO ALLOW TIME TO STUDY AND DIGEST THE AGREEMENT. EMBASSY RESERVES JUDGMENT ON LIRA VALUE OF FINAL LABOR COST PACKAGE. CERTAINLY UNIONS' CLAIM OF 15-18 PERCENT REDUCTION IN LABOR COST SAVINGS SEEMS GREATLY EXAGGERATED NEVERTHELESS, AGREEMENT DOES REPRESENT IMPORTANT DEVELOPMENT IN TWO AREAS--FIRST, IN IMPROVED SPIRIT OF COOPERATION BETWEEN BUSINESS AND LABOR, AND SECOND, IN IMPROVED LONGER-TERM PRODUCTIVITY AND LABOR COST PROSPECTS.BEAUDRY

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